

OPENING DOORS. FUNDING POSSIBILITIES.



2009/2010

CALIFORNIA HOUSING FINANCE AGENCY ANNUAL REPORT



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Additional Information is provided in the
“Audited Financial Statements” and “Statistical Supplement”
(Available on CD by request) to the California Housing
Finance Agency’s 2009-2010 Annual Report

OPENING DOORS.
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www.calhfa.ca.gov



Peter N. Carey
Acting Board Chairman



L. Steven Spears
Executive Director

In 2009-2010, California faced historic challenges: continued disruption in our state's real estate market, high unemployment, and an extremely difficult overall economic climate.

These issues have a deep impact on the California families that the California Housing Finance Agency is here to serve. This led to a fundamental change in our mission: we focused much of our attention in 2009-2010 on assisting borrowers and preparing to take on an increasing role in helping California families remain in their homes.

We call this multifaceted program "Keep Your Home California."

In June, the U.S. Department of the Treasury approved California's plan to use nearly \$700 million – later increased to nearly \$2 billion – from the federal government's "Hardest Hit" program to assist homeowners struggling to meet their mortgages and stay in their homes. The Agency was also in charge of distributing more than \$15 million specifically directed to counseling agencies. The primary objective of the program is sustainable homeownership.

As administrator of this federal program, CalHFA is focused on helping as many families as possible and leveraging this funding to maximize its benefits for California borrowers. This funding will directly help at least 100,000 families and indirectly help every Californian.

Preventing foreclosures will not only benefit the families directly impacted, it will help stabilize neighborhoods, communities and the entire California economy.

The disruption in the bond markets, particularly for new real estate-backed bonds, limited our ability to fund mortgages for first-time homebuyers in 2009-2010. The Agency's staff worked throughout the year to develop new strategies and loan programs to be launched in the 2010-2011 fiscal year, allowing CalHFA to resume its traditional role of helping California families purchase their first homes. The New Issue Bond Program also contributed \$1.4 billion toward that opportunity.

In addition to the Hardest Hit program, the U.S. Department of the Treasury also stepped in to provide liquidity to state housing finance agencies impacted by the significant disruption in the financial markets, including \$5.4 billion for California.

The financing assistance included \$3.8 billion for credit support that decreased uncertainty and significantly reduced the funding costs for the agency. Additionally, the assistance will allow CalHFA to issue \$1.6 billion in new bonds to finance loans for first-time homebuyers and for affordable rental housing.

While business remained challenging this past year, CalHFA continued to help California families open doors to homes and fund possibilities for the future.

Through these tough times, CalHFA encouraged and promoted homeownership and affordable rental housing. In 2009-2010, CalHFA provided a total of more than \$4 million to more than 600 borrowers for assistance with down payments or closing costs. CalHFA helped 470 borrowers stay in their homes by approving modifications on mortgages financed by CalHFA.

One of the Agency's greatest successes this year was our partnership with other agencies to provide housing for mentally ill Californians who are homeless or in danger of becoming homeless. Using funding from the Mental Health Services Act, CalHFA's Multifamily division closed 20 loans for nearly \$38 million that financed 1,145 units of rental housing, including 395 units for mentally ill homeless Californians. In addition, CalHFA's Multifamily division assisted the State Treasurer in using funds from the American Recovery and Reinvestment Act to help boost the state's economy.

These years of market disruptions have tested our ability to adapt, innovate and take new directions. Today, CalHFA is performing new tasks and creating new products to meet the needs of California's families. With a team of employees committed to assisting our state, CalHFA will continue to help open doors to homes for families and fund possibilities to enhance the future of our state.

A handwritten signature in black ink, appearing to read "Peter N. Carey".

Peter N. Carey
Acting Board Chairman

A handwritten signature in black ink, appearing to read "L. Steven Spears".

L. Steven Spears
Executive Director

MEET THE MEMBERS OF THE BOARD



Peter N. Carey, CalHFA Acting Board Chair, President/CEO, Self-Help Enterprises; **L. Steven Spears***, Executive Director, California Housing Finance Agency, State of California; **Dale E. Bonner**, Secretary, Business, Transportation & Housing Agency, State of California; **Cathleen Cox***, Acting Director, Office of Planning & Research, State of California; **Michael A. Gunning**, Vice President, Personal Insurance Federation of California; **Paul C. Hudson**, Chairman/CEO, Broadway Federal Bank; **Jonathan C. Hunter**, Managing Director, Region II, Corporation for Supportive Housing; **Lynn L. Jacobs**, Director, Department of Housing & Community Development, State of California; **Barbara Macri-Ortiz**, Law Office of Barbara Macri-Ortiz; **Ana J. Matosantos***, Director, Department of Finance, State of California; **Jack Shine**, Chairman, American Beauty Development Co.; **Ruben A. Smith**, Partner, Adorno Yoss Alvarado & Smith Professional Corporation.

Not pictured

Bill Lockyer, State Treasurer, Office of the State Treasurer, State of California

*Non-voting

(Members listed from left to right)



home ownership

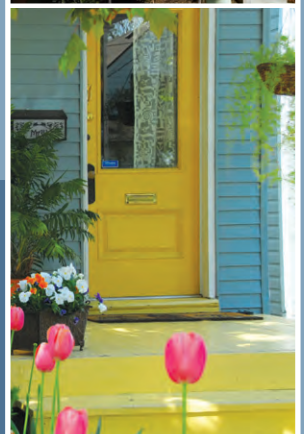
CalHFA's **Homeownership** division opens doors for low and moderate income, first-time homebuyers in California by providing low-interest rate, home loan financing.

While FY 2009-2010 was an economically challenging time for California families, Homeownership prepared for new initiatives for the 2010-2011 year, assisted in large part by the U.S. Treasury allocating more than \$1 billion in bond financing for CalHFA to help first-time homebuyers at a time when home prices in California have fallen dramatically, making homeownership much more affordable.



Accomplishments:

- Subordinate and Special Loan Programs
 - California Homebuyer's Downpayment Assistance Program – assisted 329 borrowers with subordinate mortgages totaling \$2.5 million
 - School Facility Fee – assisted 275 borrowers with grants totaling \$1.6 million
 - Approved 287 localities (522 active Affordable Housing Partnership Program loan programs)
- Assisted other divisions of CalHFA by reassigning homeownership staff
- Assisted in the development of the new Homeownership Loan Origination Project
- Completed new product development research
- Outreach
 - Conducted 24 outreach webinars with a total of 812 attendees
 - Participated in 152 statewide affordable housing events with 14,006 attendees
- Training
 - Conducted 145 training webinars
 - Participated in seven outreach events
 - Conducted 14 in-person training events



Despite the struggles in the housing markets, the Agency continued to foster its relationships with loan officers and real estate agents, offering various training and outreach sessions.

A photograph of an elderly couple standing outdoors. The man, on the right, is wearing a blue button-down shirt and has his arm around the woman's shoulder. The woman, on the left, is wearing a red patterned top and is smiling. They are in front of a building with a staircase and a railing. The word "mortgage" is written in a large, white, sans-serif font, and the word "insurance" is written in a smaller, white, sans-serif font below it, both partially overlapping the couple's image.

mortgage insurance

The **Mortgage Insurance** division supports the Agency's mission of opening the door to homeownership by providing innovative mortgage insurance programs at affordable, below-market rates. CalHFA Mortgage Insurance works to ensure that investors who provide funds for these mortgages are protected against losses when borrowers cannot meet the financial requirements of their mortgage.

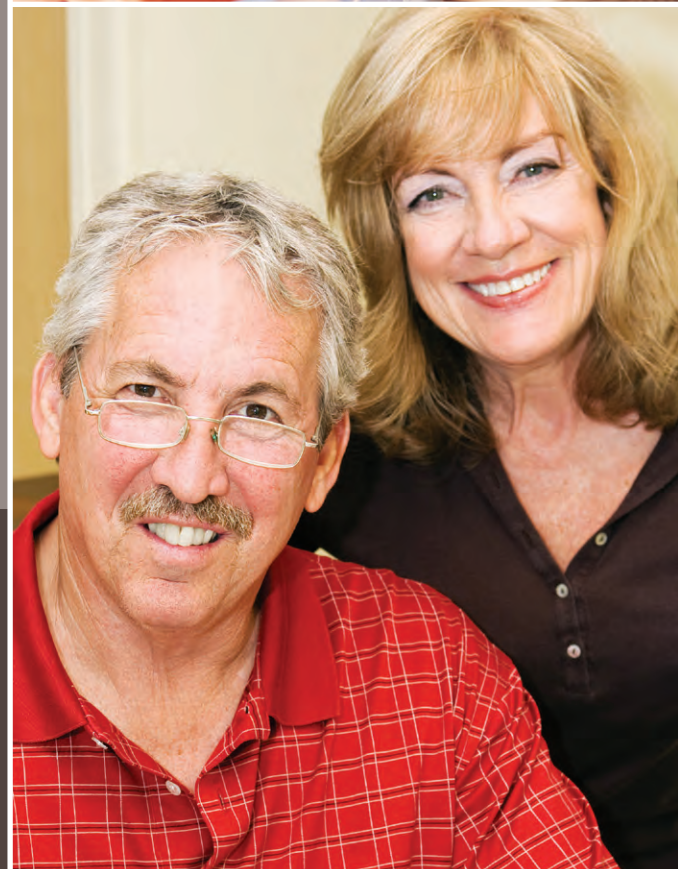
With California's economy facing the twin problems of high unemployment and disruption in the real estate market, the Mortgage Insurance division responded rapidly through loss mitigation and foreclosure alternative programs, helping keep delinquencies and foreclosure rates lower than they otherwise would have been.

CalHFA's Portfolio Management works with outside servicers of the Agency's portfolio and oversees the maintenance, preparation for market, and sale of all conventional loan foreclosed properties. The division works with servicers to encourage loan modifications for families struggling financially, helping borrowers navigate through their possibilities. When families are unable to sustain homeownership, the division works with its partners to resolve claim issues related to those situations.

Accomplishments:

- Approved 470 loan modifications for borrowers, assisting those California families in their efforts to remain in their homes
- Completed 244 loan modifications for borrowers during the fiscal year
- Developed and implemented two different loan modification programs to help CalHFA borrowers keep their homes
- Trained new personnel to fill expanding role in Agency
- Managed claims and approvals for short sales and other properties owned by the Agency

Charles McManus
Director of
Single Family
Portfolio Management
and Mortgage Insurance



**This division works with servicers to
encourage loan modifications
for families struggling financially.**



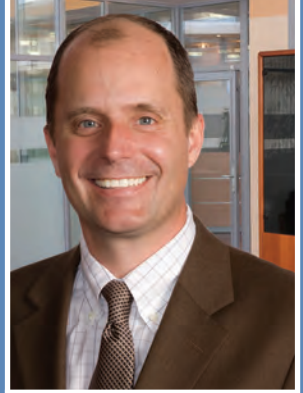


multifamily

The **Multifamily** division provides financial support for new housing developments, special needs projects and the preservation of existing rental housing for very low and low income families.

In FY 2009-2010, the Multifamily division partnered with the U.S. Department of the Treasury for its New Issue Bond Program, which facilitates access to tax-exempt bonds for the financing of family and senior affordable housing developments for both for-profit and nonprofit developers. Through the New Issue Bond Program, \$380 million will be devoted to help finance multifamily housing developments, providing quality, affordable homes for families throughout the state.

Multifamily also continued its ongoing commitment to its role in the Mental Health Services Act, working with developers and builders to finance homes for Californians living with mental illness.



Accomplishments:

- Closed seven CalHFA loans for \$16.5 million, totaling 427 units of rental housing
- Assisted Tax Credit Allocation Committee in closing 74 projects containing 4,915 housing units, using \$477 million in American Recovery & Reinvestment Act-allocated funds
- Closed 20 Mental Health Services Act loans for \$37.9 million. These loans financed 1,145 units, of which 395 were for mentally ill homeless
- Issued loan commitments on an additional 60 Mental Health Services Act projects for \$94.9 million. This will fund 3,089 units, of which 877 will be for mentally ill homeless



**CalHFA helps provides financial support
for new housing developments, special needs projects
and the preservation of existing rental housing
for very low and low income families.**

A photograph of a smiling family of three—a woman, a man, and a young child—posed in front of a modern, multi-story apartment building. The family is in the foreground, with the woman on the left and the man on the right, both smiling warmly. The child is nestled between them. The apartment building in the background has light-colored siding, multiple windows, and balconies with white railings. The sky is overcast.

multifamily asset management

The **Asset Management** division plays a key role in preserving and maintaining affordable housing for the Agency. The division manages the multifamily housing portfolio throughout the life of the loans – typically 30 to 40 years – and protects CalHFA's real assets from loss. In addition, it collaborates with building owners and managers to make sure properties are well operated, fiscally sound, clean and safe for tenants over the long term.

Accomplishments:

- Launched a pilot Prepayment Program that permits multifamily projects with seven or fewer years remaining on their CalHFA mortgage to prepay their loan – 51 projects are eligible
- Oversaw more than 550 multifamily loans for a total of 40,000 multifamily units
- Capitalized Operating Subsidy funds for four Mental Health Services Act projects to house mentally ill Californians, with more than 20 additional projects in the pipeline
- Committed \$2 million in Pre-80 Earned Surplus funds to assist portfolio Section 8 properties

Margaret Alvarez
Director of
Asset Management



Asset Management works with building owners and managers to ensure that various types and sizes of properties are fiscally sound.





financial services

The **Financing** division supervises the capital used to finance CalHFA's affordable housing programs. It also handles CalHFA's outstanding debt obligations and non-mortgage investments. The division regularly evaluates various alternatives for generating low-cost capital, including balancing risk versus benefit. Because of CalHFA's tax-exempt issuance authority, the Agency is able to offer affordable housing opportunities to California families in a way the general market cannot.

Accomplishments - Financing:

- Replaced liquidity for \$3.5 billion of variable rate bonds with liquidity provided by Freddie Mac and Fannie Mae through the Temporary Credit and Liquidity Program
- Issued \$1.39 billion of bonds under the federal government's New Issue Bond Program
- Securitized \$326.8 million of Federal Housing Administration insured loans into Government National Mortgage Association mortgage-backed securities
- Sold \$255.6 million of the Government National Mortgage Association securities and realized a net premium of \$10 million
- Sold \$95 million of Multifamily loans and used \$87 million in proceeds to redeem variable rate debt obligations and auction bonds
- Negotiated with swap counterparties to terminate \$237.8 million of swap notional and received higher collateral thresholds to reduce the collateral postings
- Reduced swap notional total to \$3.42 billion, compared to \$4.23 billion last year

The **Fiscal Services** division safeguards the Agency's cash and investments and works with borrowers to service loans. In accordance with federal and state requirements, the division reports pertinent financial information that is critical in the management of CalHFA's programs. Fiscal Services works with an independent accounting firm every year to prepare the Agency's financial data audit.

Accomplishments - Fiscal Services:

- Loans purchased or funded by Loan Accounting – \$98 million
 - \$36.8 million for 21 Bay Area Housing Plan loans
 - \$22.8 million for 19 Mental Health Services Act Program loans
 - \$20.2 million for seven Residential Development Loan Program loans
 - \$13.4 million for Multifamily construction draws
 - \$2.4 million for 329 CHDAP loans
 - \$1.5 million for eight HELP loans
 - \$769,000 for eight single-family first mortgages
 - \$162,000 for one Multifamily loan
- Assisted in the securitization of 2,586 FHA loans into Government National Mortgage Association mortgage-backed securities
- Coordinated bond debt service and redemption payments totaling \$711 million
- Paid swap payments of \$199 million
- Completed CalHFA and CaHLIF financial audits
- Completed Phase 1 of Fiscal Services Re-Platforming Project

The **Loan Servicing** division is in charge of servicing the Agency's portfolio of single-family home loans. The division receives and processes payments, manages delinquencies, and communicates with existing CalHFA borrowers.

Accomplishments - Loan Servicing:

- Seamlessly moved staff and operations to new building in West Sacramento
- Continued implementation of CalHFA Loan Modification Program which began in May 2009
- Completed 84 modifications
- Completed 130 short sales

Bruce Gilbertson
Director
of Financing



Rhonda Barrow
Housing Finance Chief

support services



A number of divisions at CalHFA work together to support the business needs of the Agency.

The **Administration** division supports the infrastructure of the Agency's operations, including human resources, operating budget, establishing policies, employee training, maintaining facilities and procuring office equipment.

Accomplishments – Administration:

- Managed the hiring, promoting, transferring and reclassification of 52 CalHFA employees
- Installed a robust, technically advanced phone system for the Loan Servicing division
- Instituted a new budget development process
- Coordinated the relocations of Sacramento Agency personnel and operations to new office locations
- Saved \$257,000 on the acquisition of new Loan Servicing work stations

The **Information Technology** division implements and maintains technology systems for the Agency in order to improve service to partners and borrowers, and keep CalHFA on the competitive edge of the mortgage industry.

Accomplishments - Information Technology:

- Implemented a new Debt Management system which automates business processes, eliminates duplicate data and centralizes the information that supports debt management functions
- Implemented a new Multifamily Loan Origination system which provides a streamlined and systematic approach to processing reports, Multifamily transactions and loans from origination to the point of transfer to Asset Management
- Implemented the Fiscal Services Re-Platforming Project Phase 1, Part 2 which reprograms the Agency's Legacy applications with the new Fiscal Services General Ledger
- Continued development of the Homeownership Loan Origination project
- Developed the technical infrastructure for the new West Sacramento location for Loan Servicing, Portfolio Management and "Keep Your Home California" staff
- Developing and securing the technical infrastructure for the new 500 Capitol Mall headquarters

Howard Iwata
Director of Administration
and Acting Director
of Fiscal Services



The **Office of General Counsel** manages the legal affairs of CalHFA by providing counsel on day-to-day operations and the Agency's strategic initiatives. The office also supports all of CalHFA's lending and insurance programs.

Accomplishments – Office of General Counsel:

- Assisted Financing staff in negotiating collateral posting agreements with major swap counterparties, as part of a strategy to maintain Agency liquidity
- Assisted Single Family loss mitigation and disposition of the REO Program
- Supported the Agency's major strategic projects

The **Legislative division** works with various state and federal legislative, housing, business and other interest groups to identify and maximize opportunities to meet the housing needs of low and moderate income families in California, and to further the long-term business objectives of the Agency.

Accomplishments – Legislation:

- Worked to secure funding for a second round of federal foreclosure counseling dollars
- Secured legislation authorizing \$878 million in special bond cap allocation
- Secured U.S. Treasury approval for CalHFA's Hardest Hit Fund proposal, which will assist approximately 100,000 California homeowners suffering a financial hardship

The **Marketing division** uses advertising, promotion and public relations to increase awareness of and accessibility to the Agency's products among lenders, real estate agents, builders, developers, localities and homebuyers.

Accomplishments – Marketing:

- Secured earned media placements worth \$230,000, reaching more than 13 million Californians
- The CalHFA Leads Program Call Center responded to 16,981 incoming calls
- Launched the "Keep Your Home California" web site
- Won Creative Award for the 2008-09 Annual Report
- Managed CalHFA web site, which attracted more than 3 million views, and initiated a social media campaign
- Switched Enews providers, saving \$18,000 annually
- Launched a CalHFA mobile apps site



Thomas Hughes
General Counsel



Diane Richardson
Director of Legislation



Kenneth Giebel
Director of Marketing

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Alicia McDonald
Alyssa Norris
Amy Golonka
Ana Espinoza
Andrea Berry
Andrea Fulton
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Sheryl Angst
Smyra Bailey
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Steve Pogozeleski
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Summer Kalwani
Susan Cortvriendt
Susan Murtishaw
Susan Wagner
Suzanne Ledesma
Suzanne Uppinghouse
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Tammy Moreno
Tammy Yu
Tanishia Hodge
Tauna Bradell
Ted Nishimoto
Teresa Creamer
Teresa Glenn
Thelma McIntosh
Therese Volk
Tim Hsu
Tom Armstrong
Tom Dennis
Tom Freeburger
Tom Hughes
Tom Nann
Tony Sertich
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Trisha Vo
Venita Ashley
Victor James
Victoria West
Wendy Ng
William Lee
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Ying Lu

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and access to its programs or activities.



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